No. 98-531

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and UNITED STATES OF AMERICA,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

Did Congress have power under § 5 of the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity and make them amenable to suit in federal court for claims of patent infringement when enacting Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h), 296(a)?

STATEMENT OF INTERESTED PARTIES

Petitioner Florida Prepaid Postsecondary Education Expense Board was the defendant before the district court and the appellant before the Court of Appeals for the Federal Circuit (the "Federal Circuit"). Recently, the Florida legislature changed petitioner's name to the Florida Prepaid College Board. Petitioner is referred to by its earlier name in this brief for the sake of clarity and convenience, or simply as "Florida Prepaid." Florida Prepaid is a body corporate of the state of Florida and does not have any parent or subsidiary corporations. *See* § 240.551, Florida Statutes.

Respondent College Savings Bank ("CSB") was the plaintiff before the district court and an appellee before the Federal Circuit. Respondent United States of America intervened under 28 U.S.C. § 2403(a) in the action before the district court and was an appellee before the Federal Circuit.

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The Federal Circuit's opinion is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 (Fed. Cir. 1998) (Pet. App. A). The opinion of the United States District Court for the District of New Jersey is reported at *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 948 F. Supp. 400 (D.N.J. 1996) (Pet. App. B).

STATEMENT OF JURISDICTION

The jurisdiction of the district court was invoked under 28 U.S.C. § 1338(a). The Federal Circuit's jurisdiction was invoked pursuant to 28 U.S.C. § 1295(a)(1) and the collateral order doctrine. *See Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 147 (1993). The Federal Circuit affirmed the district court's denial of Florida Prepaid's motion to dismiss CSB's patent infringement case for lack of subject matter jurisdiction on June 30, 1998. Pet. App. A. Florida Prepaid timely filed its petition for *certiorari* on September 28, 1998. The petition was granted on January 8, 1999. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Section 8, Clause 8 of the United States Constitution provides that Congress shall have Power . . .

> [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]

The Eleventh Amendment to the Constitution provides:

> The Judicial power of the United States shall not be construed to extend to any suit in law or equity,

commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

The Fourteenth Amendment to the Constitution provides, in pertinent part:

[Section 1]
No State shall . . . deprive any person of life, liberty, or property, without due process of law[.]

[Section 5]
The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

Section 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992) ("Patent Remedy Act"), provides, in pertinent part:

As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity.

[35 U.S.C. § 271(h)]

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal Court by any person . . . for infringement of a patent under Section 271, or for any other violation under this title.

[35 U.S.C. § 296(a)]

STATEMENT OF THE CASE

A. The Parties

Florida Prepaid is an agency of the state of Florida created to administer a prepaid college tuition and dormitory-expense program. *See* § 240.551, Florida Statutes. Participants in the program, generally Florida residents or the children of Florida residents, *see* § 240.551(2)(3)(1)-(3), Florida Statutes, pay a contract price today that entitles program beneficiaries to a college education at a future date. The state's enabling legislation describes Florida's provision of educational opportunity at the postsecondary level as "a critical state interest." § 240.551(1), Florida Statutes. Florida Prepaid began operation in 1987 and has, since inception, sold 528,540 prepaid college and dormitory contracts.

CSB is a commercial financial institution that sells certificates of deposit designed to assist its customers with investing to cover the future costs of a college education. CSB owns United States Patent No. 4,722,055 (the " '055" patent), entitled "Methods and Apparatus for Funding Future Liability of Uncertain Cost" relating to a calculation methodology used with its certificate of deposit product. CSB's patent issued on January 26, 1988.

B. The Patent Remedy Act

In 1990, the Federal Circuit decided two cases, *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990), and *Jacobs Wind Elec. Co. v. Florida Dept. of Trans.*, 919 F.2d 726 (Fed. Cir. 1990), which upheld the states' Eleventh Amendment immunity from patent suits in federal court on the grounds that Congress had not adequately expressed its intent to abrogate such immunity. *See Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 240 (1985). In response, Congress passed the Patent Remedy Act, which added 35 U.S.C. § 271(h) and 35 U.S.C. § 296 to the patent laws. *See supra*.

These new patent code provisions abrogated the states' Eleventh Amendment immunity from patent suits brought in federal court and exposed states to the same legal and equitable remedies, including treble damages, attorneys' fees, costs, and injunctive relief, that were already available against entities that are not states. According to the legislative history, Congress saw five justifications for the amendments: (1) "immunity cuts against Article I, § 8 of the U.S. Constitution, which grants Congress the power to issue patents for limited periods to promote the progress of science"; (2) the amendment prevents states from "freely" infringing, discouraging future innovation; (3) enabling patentees to sue states in federal court prevents states from enjoying advantages not available to private parties; (4) the federal government already consents to patent infringement suits; and (5) the original patent code (enacted in 1790) contains no expression of Congressional intent to exclude states from the statutes' reach. *See* J.A. 20-22a. The Senate Report lists the Patent Clause, the Commerce Clause, and § 5 of the Fourteenth Amendment as authority for this new legislation. J.A. 19a.

C. CSB sues Florida Prepaid in federal district court in New Jersey

On November 7, 1994, CSB sued Florida Prepaid for alleged infringement of the '055 patent in the United States District Court for the District of New Jersey (Civ. No. 94-5610 (GEB)). On August 25, 1995, CSB brought a second action against Florida Prepaid in the same court, Civ. No. 95-4516 (GEB), in which CSB alleged "false advertising" by Florida Prepaid in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and the common law prohibition against unfair competition. The two cases were not consolidated.

At the time the Patent Remedy Act was enacted and as of the date that CSB filed its lawsuits, this Court's decision in *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989) ("*Union Gas*"),

approved Congress's use of its powers under Article I of the Constitution to abrogate the states' Eleventh Amendment immunity. After the pleadings in this case were closed, this Court decided *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996) ("*Seminole Tribe*"), which overruled *Union Gas* and made clear that Congress may abrogate the states' Eleventh Amendment immunity only when it acts under § 5 of the Fourteenth Amendment. 517 U.S. at 59 (*citing Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976) ("*Fitzpatrick*")). Florida Prepaid then promptly moved to dismiss CSB's lawsuits for lack of subject matter jurisdiction, contending that both matters were barred by the Eleventh Amendment.[1]

In a single decision applicable to both cases, the district court granted Florida Prepaid's motion to dismiss the Lanham Act case but denied its motion to dismiss the patent infringement action. Pet. App. B. The district court found that Florida Prepaid is an "arm of the state" of Florida that is thereby entitled to assert Florida's Eleventh Amendment immunity as a bar to jurisdiction in federal court. *See* Pet. App. B at 41a-57a. That finding was not challenged on appeal. *See* Pet. App. A at 2a n.1. The district court next rejected CSB's arguments that Florida Prepaid waived its immunity, either by its conduct in the case or under the constructive consent doctrine set forth in *Parden v. Terminal Ry. of Ala. State Docks Dep't.*, 377 U.S. 184 (1964) ("*Parden*"). Pet. App. B, 57a-72a.

Agreeing with Florida Prepaid in the patent case that Article I does not authorize Congress to abrogate states' Eleventh Amendment immunity, Pet. App. B at 79a, the district court then

1. Pursuant to 28 U.S.C. § 2403(a), respondent United States of America intervened before the district court to defend the constitutionality of both the Patent Remedy Act and the Trademark Remedy Clarification Act of 1992, Pub. L. No. 102-542, 106 Stat. 3567 (1992), the latter of which had purported to make the states amenable to suit in federal court under the Lanham Act. Pet. App. B, 39a.

addressed Congress's power to abrogate state immunity under § 5 of the Fourteenth Amendment. In doing so, the court limited its analysis to determining "whether the interests sought to be protected by the Patent Act are 'property' for purposes of the Fourteenth Amendment." Pet. App. B, 78-79a. Concluding that a patent is such "property," and that "Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause," Pet. App. B, 85-86a, the district court held that the Patent Remedy Act was "appropriate" legislation to enforce the Fourteenth Amendment and denied Florida Prepaid's motion to dismiss CSB's patent case. *Id.* at 86a.[2]

The district court reached the opposite conclusion in the Lanham Act case, holding that the interests protected by the "false advertising prong" of the Lanham Act clearly were not "property" for purposes of the Fourteenth Amendment. Pet. App. B, 86a-90a.

> [W]e are unaware of any authority suggesting that Congress may, by simple fiat, abruptly declare that a simple statutory cause of action, which traditionally has not been understood to involve any kind of property, now encompasses a "property right" to which the Fourteenth Amendment applies. Indeed, if Congress has such power, it could easily "reverse" the outcome in *Seminole Tribe*.

Pet. App. B, 89a-90a. Lacking any jurisdictional basis on which to hear CSB's common law unfair competition claim against a state entity, the district court dismissed CSB's second complaint in its entirety. *Id.* at 91a.

Both CSB and the United States appealed the final judgment dismissing the Lanham Act suit to the United States Court of

2. The district court's decision was announced December 13, 1996, Pet. App. B, 91a, before the court could benefit from this Court's subsequent holdings in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997) ("*City of Boerne*").

Appeals for the Third Circuit, which affirmed that the case did not involve a "property" interest protected by the Fourteenth Amendment. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 131 F.3d 353 (3d Cir. 1997). The Third Circuit held that Congress lacked the power under § 5 to abrogate states' Eleventh Amendment immunity from false advertising claims brought under the Lanham Act in federal court, and that *Parden* was inapplicable because Florida Prepaid was serving an important governmental interest in making education affordable to its citizens. *Id.* at 364.[3]

In accordance with this Court's decision in *Puerto Rico Aqueduct*, 506 U.S. at 147, and pursuant to 28 U.S.C. § 1295, Florida Prepaid appealed the district court's decision not to dismiss CSB's patent infringement case to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed. Pet. App. A. While this Court has now granted petitions for *certiorari* in both cases, the instant case presents only the question whether Congress has the power under § 5 to abrogate the states' Eleventh Amendment immunity from suits in federal court for claims of patent infringement.

D. The Federal Circuit's constitutional analysis

Agreeing with the parties that Congress had manifested a clear intent to abrogate the states' Eleventh Amendment immunity in the Patent Remedy Act, the Federal Circuit focused on deciding whether Congress had done so pursuant to a constitutional grant of power. Pet. App. A at 7a. While the Federal Circuit accepted Florida Prepaid's contention that Article I was no longer available as a source of abrogation power following *Seminole Tribe*, Pet. App. A, 8a, that court nevertheless determined that the Patent Remedy Act would withstand constitutional scrutiny if it was a

3. By affirming the district court on that basis, the Third Circuit did not review the district court's conclusion that *Parden* had been implicitly overruled by *Seminole Tribe*. 131 F.3d at 365.

"rational means" to effectuate the substantive provisions of the Fourteenth Amendment. Pet. App. A at 9a (*citing, South Carolina v. Katzenbach*, 383 U.S. 301, 324 (1966)).

Identifying the Act's objective as redressing patent infringement by the states, the Federal Circuit found that the Act met the *South Carolina v. Katzenbach* test:

> [p]rotecting a privately-held patent from infringement by a state is certainly a legitimate congressional objective under the Fourteenth Amendment, which . . . empowers Congress to prevent state-sponsored deprivation of private property.

Pet. App. A at 12a-13a. For this analysis, the court viewed patent infringement as equivalent to a taking or deprivation, Pet. App. A, 13a, without regard to whether remedies would be provided for such assumed deprivation by the states. The Federal Circuit in fact rejected Florida Prepaid's position that abrogation of states' Eleventh Amendment immunity could not affect states that meet fundamental due process standards. Pet. App. A at 14-15a. The court reasoned that "the fact that Florida may today have some process available to a patentee asserting infringement does not preclude Congress from exercising its powers under the Fourteenth Amendment through the Patent Remedy Act." *Id.*

Florida Prepaid further argued that permitting Congress to create a property interest under its Article I powers and then use its § 5 powers to enforce that interest against states in federal court would accomplish indirectly what *Seminole Tribe* held Congress could not do directly through Article I. Pet. App. A at 15-16a. This argument also was dismissed by the Federal Circuit, despite the acceptance of similar arguments by other circuit courts. *Id.*

> These cases . . . ignore the essential fact that, because the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it

> expressly qualified the principle of sovereign immunity . . . Our sister circuits wrongly equate the result afforded by congressional power under the Fourteenth Amendment and Article I with the constitutional structure under which Congress governs and the federal courts exercise jurisdiction. When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity.

Pet. App. A at 17a (citations omitted). The Federal Circuit adhered to its conviction that the existence or non-existence of Article I powers was not dispositive because patents are a well-established form of property that unquestionably falls within the reach of Congress's § 5 enforcement power:

> To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

Pet. App. A at 18a.

Having approved Congress' stated objective of protecting privately-held patent property from deprivation by states, the Federal Circuit then purported to apply this Court's requirement established in City of Boerne that "there must be a proportionality between the injury to be prevented and the means adopted or remedied to that end." Pet. App. A at 20a. Examining the nature of the injury to be prevented, the court listed the eight cases of

alleged patent infringement by states disclosed in the legislative record and agreed that "an increase in the number of patent cases against the states likely will ensue." *Id.* at 21a-22a. While the court conceded that the extent of such infringement had not yet risen to emergency levels, and was not the caliber and magnitude of the harm that prompted enacting the Voting Rights Act, that court still viewed those "significant instances" of alleged state infringement as sufficient to justify Congress' exercise of its § 5 power to make states amenable to suuit in federal court. *Id.*

Turning to the means adopted to prevent that perceived injury and the resulting impact on the states, the Federal Circuit decided that the burden of subjecting states to the full range of Title 35 relief in federal courts was "modest" and "slight" because, in its view, the Patent Remedy Act would rarely prevent a state from performing its core governmental functions. Pet. App. A at 24a-25a. The Federal Circuit declared that there is "no sound reason to hold that Congress cannot subject a state to the same civil consequences that face a private party infringer." *Id.* at 25a. In the end, the Federal Circuit upheld Congress's use of its § 5 abrogation powers to enact the Patent Remedy Act because the burden imposed on states was not disproportionate or incongruous with the perceived harm to patent holders who, absent such abrogation, would be unable to enforce fully the rights conveyed by their patent. Pet. App. A at 25a.

SUMMARY OF ARGUMENT

The Patent Remedy Act is an unconstitutional attempt by Congress to abrogate states' Eleventh Amendment immunity from patent infringement suits in federal court. The Act cannot be justified on the basis that Congress abrogated the immunity pursuant to its Article I powers, because *Union Gas*, which had approved such authority, was overruled by this Court in *Seminole Tribe*. The Act also cannot be saved by resort to the sole remaining source of abrogating power, § 5 of the Fourteenth Amendment,

without ignoring the teachings of this Court in *City of Boerne*. In sum, the Patent Remedy Act is an impermissible attempt to do what this Court prohibited in *Seminole Tribe* — enforce an Article I property interest against the states in federal court — as well as a departure from settled Fourteenth Amendment doctrine.

Accepting the rationale that the Fourteenth Amendment may be used to enforce Article I property interests such as patents because the later-enacted Fourteenth Amendment limits the Eleventh Amendment's scope would mean that the Eleventh Amendment will always give way. But that is not the law. In fact, although the Fourteenth Amendment can be used to restrict the scope of the states' immunity from suit in federal court to enforce the substantive guarantees of that amendment, the Fourteenth Amendment did not *abolish* such immunity. In the Patent Remedy Act, however, Congress has effected this result by creating a right under Article I and then protecting that right through the Enforcement Clause of the Fourteenth Amendment. *Seminole Tribe* cannot be limited to disallowing the enforcement of Article I interests by Congress only when acting under its Article I powers. *Seminole Tribe* means that Congress may not set aside states' sovereign immunity to protect federally created rights.

Saying that patents are property and are protected from deprivation by the states under the Fourteenth Amendment irrespective of Congress's Article I powers does not change the result. Patent infringement by a state is still only a tort, not a due process violation. Such tort simply does not rise to the level of a constitutional wrong *unless* the states deprive patent holders of property without providing "due process of law."

While this Court has not yet been presented with the opportunity to address when and how the Due Process Clause may be enforced under § 5, it is now settled, following *City of Boerne*, that "appropriate" legislation within the meaning of the Enforcement Clause, must meet three conditions. First, the object

of the legislation must be to prevent or remedy unconstitutional state conduct. Next, once a constitutional violation has been identified, the legislation adopted to remedy or prevent that violation must be truly remedial. To assure that legislation attains this remedial character, congruence between the means (the legislation) and the end (preventing or curing the targeted constitutional violation) must exist. Proper application of these conditions ensures against Congress's creation of legislation that is substantive rather than remedial, which would improperly intrude into the exclusive province of the courts.

The Patent Remedy Act has met none of these conditions. It targets no unconstitutional state conduct and, instead, merely aims at remedying or deterring patent infringement by the states. While the Fourteenth Amendment prohibits the deprivation of property without due process of law, neither Congress nor the lower courts described or identified any actual or threatened state conduct that had that effect. Instead, they stopped their due process analysis short upon the identification of a property interest and the assumption that a "deprivation" existed, totally ignoring whether such property had been deprived "without due process of the law."

While Congress may incidentally proscribe state conduct that is not itself unconstitutional when enacting legislation that is aimed at preventing a constitutional wrong, that is not what happened here. The wrong sought to be prevented in the first instance by the Patent Remedy Act is state patent infringement, which is not itself unconstitutional. Instead, Congress has abrogated state immunity in order to remedy or deter state a statutory violation rather than a constitutional wrong. The Patent Remedy Act, as a result, works a fundamental change in the substance of the Fourteenth Amendment by ignoring the requirement that there be a deprivation of property "*without due process of law*."

Even if deterring or remedying an offense more severe than a potential patent infringement had been Congress's goal when it

crafted the Patent Remedy Act, the Act still could not withstand scrutiny here because the means employed to remedy or prevent such conduct are wholly out of proportion to the alleged harm. The Act's impact on the states is immense given their exposure to treble damages and attorney's fees for a myriad of unforeseeable state conduct that allegedly infringes patent rights. The indignity of suit by private litigants in federal courts in other states compounds the unacceptable result. Just as the legislation at stake in *City of Boerne* went too far, so does the Patent Remedy Act. Indeed, it intrudes into every facet of state government rendering even the most ministerial governmental acts potential triggers for federal suits against the states for extraordinary damages.

The expansive relief provided under Title 35 is grossly incongruent to the end of redressing governmental patent infringement. This incongruity is perhaps best shown by Congress's enactment of 28 U.S.C. § 1498. In that statute, Congress allowed certain remedies to be obtained against the United States for patent infringement by private litigants, but such relief did not include injunctions, attorney's fees, treble damages, or lost profits. Congress has thus already demonstrated that less obtrusive, more congruent means to eradicate patent infringement by a sovereign can be designed. Yet, with the Patent Remedy Act, Congress advanced no cogent reason for its abrupt change in policy. The Act's vast escalation in expense, exposure, and burden on the states cannot be understood as responsive to, or intended to prevent unconstitutional behavior and thus must be deemed a substantive expansion of constitutional prohibitions rather than a remedy for due process violations.

In the end, the Patent Remedy Act cannot be upheld under either *Seminole Tribe* or *City of Boerne*. Congress lacks the power under both Article I and the Fourteenth Amendment to abrogate states' Eleventh Amendment immunity and make them subject to suits for patent infringement in federal court. This is true even if

reliance on state court process and remedies ultimately results in a lack of national uniformity in patent law.

The Due Process Clause does not require that any specific process or remedies be provided. It simply requires that minimal constitutional levels of process be achieved. By upholding the Patent Remedy Act against states, even where Due Process violations are neither threatened nor proven, the Federal Circuit allowed Congress to elevate conduct giving rise to a statutory cause of action to a constitutional wrong falling within the Fourteenth Amendment's scope.[4] After *City of Boerne*, it is manifest that Congress cannot legislate the substance of the Constitution as it attempted when enacting the Patent Remedy Act.

ARGUMENT

I.

THE PATENT REMEDY ACT IS UNCONSTITUTIONAL BECAUSE CONGRESS LACKS POWER TO ABROGATE STATES' ELEVENTH AMENDMENT IMMUNITY FROM SUITS IN FEDERAL COURT FOR CLAIMS OF PATENT INFRINGEMENT.

Neither Florida nor Florida Prepaid has consented to being sued in federal court for patent infringement relating to the tuition-funding program created by Florida to facilitate its citizens' higher education. Absent such consent, Florida Prepaid cannot be sued in federal courts *unless* Congress's attempt to abrogate the states' Eleventh Amendment immunity through the Patent Remedy Act is authorized under some recognized constitutional precept. Because the Constitution provides no authority for Congress to enact the Patent Remedy Act, this Court should restore Florida Prepaid's immunity from suit for patent infringement claims in

4. The Federal Circuit's analysis in this case was confined to the issue of abrogation and did not address the district court's rejection of CSB's *Parden* arguments.

federal court by reversing the Federal Circuit's decision and remanding with instructions that CSB's patent infringement claim be dismissed.

A. The Patent Remedy Act Cannot Be Upheld Following *Seminole Tribe* Because Congress Cannot Use Either Article I Or The Fourteenth Amendment To Protect An Article I Interest Such As Patents.

The Patent Remedy Act treats defendant states the same as private parties by authorizing non-governmental patent owners to sue states in federal court for patent infringement and to recover injunctive relief and monetary damages, including treble damages and attorney's fees. For this legislation to be constitutionally sound given states' Eleventh Amendment immunity, Congress must have unequivocally expressed an intent to abrogate sovereign immunity when enacting the statute. *Seminole Tribe*, 517 U.S. at 55; *Atascadero State Hospital*, 473 U.S. at 240. Congress also must have acted "pursuant to a valid exercise of power." *Seminole Tribe*, 517 U.S. at 58 (*quoting*, *Green v. Mansour*, 474 U.S. 64, 68 (1985)).

The parties agree that the first prong of the test is met here. As to the second prong, Florida Prepaid maintains that Congress exceeded its legislative authority when enacting the Patent Remedy Act. Neither Article I nor the Fourteenth Amendment empowers Congress to authorize patent infringement claims to be brought by private parties against the states in federal court.

1. *Congress, after Seminole Tribe, cannot abrogate states' sovereign immunity using its Article I powers.*

Although Congress pointed to the "Patent Clause, the Commerce Clause, and the enforcement provision of the Fourteenth Amendment" as the source of its power when enacting the Patent Remedy Act, J.A. at 19a, the first two grounds, both provisions found in Article I of the Constitution, are no longer valid sources of power following this Court's decision in *Seminole Tribe*.

In overruling *Union Gas*, this Court left no doubt that Congress's Article I power to legislate with respect to patents is an insufficient basis on which to abrogate states' Eleventh Amendment immunity:

> the background principle of state sovereign immunity embodied in the Eleventh Amendment is not so ephemeral as to dissipate when the subject of the suit is an area . . . under exclusive control of the Federal government. *Even when the constitution vests in Congress the complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against the states.*

Seminole Tribe, 517 U.S. at 72. (emphasis added). Thus, *Seminole Tribe* teaches that Congress cannot abrogate states' Eleventh Amendment immunity simply because it desires to provide a federal forum for the recovery of damages for violations of a federal right created under Article I.[5] *See, e.g., In re Sacred Heart Hosp. of Norristown*, 133 F.3d 237, 243-45 (3d Cir. 1998) (Congress cannot abrogate immunity using its powers found in the Bankruptcy Clause of Article I) (*citing, United States v. Kras*, 409 U.S. 434, 446-47 (1973)); *College Savings Bank*, 131 F.3d at 358 (holding that since *Seminole Tribe*, § 5 of the Fourteenth Amendment is the sole basis for Congress to abrogate state immunity).

5. Responding to the dissents in *Seminole Tribe*, the majority did not take issue with this conclusion, observing that this Court never has awarded relief against a state under laws enacted under Article I powers such as bankruptcy, copyright, and anti-trust and specifically noted the lack of "established tradition in the lower federal courts of allowing enforcement of those federal statutes against the states." 517 U.S. at 96 n.16.

2. *Congress cannot use its Fourteenth Amendment abrogation powers to protect Article I interests.*

Under the Fourteenth Amendment, states may not "deprive any person of life, liberty, or property, without due process of law." U.S. Const. amend. XIV, § 1. Congress can, via "appropriate legislation," enforce the provisions of the Amendment. U.S. Const. amend XIV, § 5. After *Seminole Tribe*, the Enforcement Clause is Congress's only remaining source of abrogation power that has been approved by this Court.

CSB has argued thus far that *Seminole Tribe* does not control this case despite patents' genesis in Article I because patents are "property" the "deprivation" of which can be remedied by Congress through its Fourteenth Amendment enforcement power, and because Congress expressly cited that Amendment when enacting the Patent Remedy Act. *See* J.A. at 19a. The Act cannot, however, be deemed "appropriate legislation" under § 5 simply because Congress made such a declaration.

> Congress's discretion is not unlimited . . . and the courts retain the power, as they have since *Marbury v. Madison* [1 Cranch 137, 176 (1803)], to determine if Congress has exceeded its authority under the Constitution.

City of Boerne, 117 S. Ct. at 2172. Thus, it remains for this Court to decide whether Congress exceeded its authority under § 5 when attempting to abrogate the states' Eleventh Amendment immunity in patent cases.

While the Federal Circuit declared it "beyond cavil" that a patent is property, Pet. App. A at 12a, the court failed to consider the fact that such a property interest is created by Congress acting under its Article I powers.[6] As observed by the Fifth Circuit when

6. Instead, CSB and the lower courts in this case assumed that whatever bundle of "property" rights is embodied by a patent necessarily includes (Cont'd)

discussing copyrights (which arise out of the same constitutional provision as patents):

> The contention that a copyright infringement claim is property protected by the Due Process Clause . . . proves too much. If it rests in the uniqueness of the property interest created by federal law . . . then it is a direct end-run around *Seminole Tribe*'s holding that Article I powers may not be employed to avoid the Eleventh Amendment's limit on the federal judicial power. Congress could easily legislate 'property interests' and then attempt to subject states to suit in federal court for the violation of such interests. This end-run is just as possible under a liberal interpretation of the Due Process Clause of the Fourteenth Amendment as it was under theories of Article I rejected by the Court in *Seminole Tribe*.

(Cont'd)
the right to sue a state in federal court. Patent rights, however, do not arise from an independent source such as state or common law but were created solely under the powers granted to Congress in Article I. *See, e.g., Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (quoting *Gayles v. Wilder*, 51 U.S. 477, 494 (1850) ("[The patent monopoly did not exist at common law . . . It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes"]). Because *Seminole Tribe* squarely holds that Congress's Article I powers are subject to the limitations imposed by the later-enacted Eleventh Amendment, 517 U.S. at 72-73, the Eleventh Amendment limits the scope of Congress's Article I power to create property rights that could be enforced in federal court. Thus, while *Seminole Tribe* does not mean that Congress cannot create property rights under Article I or even that patents are not property, it does confirm that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court.

Chavez v. Arte Publico Press, 157 F.3d 282, 289 (5th Cir.), *reh'g en banc granted* (October 1, 1998).[7] If Congress may on one hand create the property interest under Article I and then on the other "enforce" it under the Enforcement Clause of the Fourteenth Amendment:

> Congress's power to abrogate Eleventh Amendment immunity would appear to be coextensive with its power to legislate under Article I, and if so, *Seminole Tribe*'s holding that Congress lacks the power to abrogate Eleventh Amendment immunity under Article I would be eviscerated.

Carlos Manual Vazquez, *What is Eleventh Amendment Immunity?*, 106 Yale L.J. 1683, 1744-46 (1997). *See also Union Gas*, 491 U.S. at 44 (Scalia, J., dissenting) ("to acknowledge that the federal government can make the waiver of state sovereign immunity a condition to the state's action in a field that Congress has authority to regulate is substantially the same as acknowledging that the federal government can eliminate sovereign immunity in the exercise of its Article I powers"). Clearly, then, *Seminole Tribe* is reduced to nothing if the Fourteenth Amendment's Enforcement Clause is allowed to become a complete substitute for Congress's more limited Article I power.

Consistent with this limitation on Congress's enforcement powers, policy considerations such as Congress's desire for uniform application of the patent laws or its dislike of state remedies cannot trump the Eleventh Amendment, because such policy goals arise uniquely out of Article I. Just as Congress lacks power to enforce a right created under Article I by resort to the Fourteenth Amendment following *Seminole Tribe*, Congress may

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7. A ruling in *Chavez* by the *en banc* Fifth Circuit has been stayed pending a decision from this Court in this case. The reasoning of the panel majority, however, remains cogent and worthy of consideration here.

not use the Fourteenth Amendment as a vehicle to promote its Article I legislative goals.

B. The Patent Remedy Act Cannot Be Upheld Following *City of Boerne* Because It Does Not Target Unconstitutional State Conduct And Lacks Congruity With The Means To Be Achieved.

Even if patents were not creatures of Article I, the Patent Remedy Act would remain unconstitutional. The last source of power to abrogate immunity cited by Congress when enacting the Act -- the Fourteenth Amendment's Enforcement Clause -- simply does not allow patent infringement claims to be brought against states in federal court absent a deprivation of patent property "without due process of law."

None of the five justifications for Congress's passage of the Patent Remedy Act evidence a desire to remedy or prevent a pattern of unconstitutional state conduct. In this regard, the Patent Remedy Act stands apart from established Enforcement Clause precedent of this Court. In *Fitzpatrick,* this Court held that Congress has the power to abrogate Eleventh Amendment immunity when acting to enforce the Equal Protection Clause of the Fourteenth Amendment. In that case, "there was conceded to be a violation of the Equal Protection Clause which is contained *in haec verba* in the language of the Fourteenth Amendment itself." *Hutto v. Finney*, 437 U.S. 678, 710 (1978) (Rehnquist, C.J., dissenting). *Fitzpatrick*'s abrogation holding was no novel pronouncement since state-sponsored discrimination, repugnant to the express terms of the Fourteenth Amendment's Equal Protection Clause, had been consistently recognized as a constitutional wrong that § 5 empowers Congress to correct. *See, e.g., Katzenbach v. Morgan*, 384 U.S. 641 (1966); *South Carolina v. Katzenbach*, 383 U.S. 301 (1966).

Although no decision of this Court has directly addressed the issue, Congress's enforcement powers under § 5 also extend to

violations of the Due Process Clause. *City of Boerne*, 117 S. Ct. at 2163. However, the specifics of when and how § 5 can be invoked to enforce other provisions of the Fourteenth Amendment such as the Due Process Clause were not addressed in *Fitzpatrick*. *City of Boerne* guides how these questions must be answered.

1. ***Patent infringement alone is not a constitutional wrong and the Patent Remedy Act does not target any deprivation of property without due process of law.***

City of Boerne involved a challenge to the constitutionality of the Religious Freedom Restoration Act ("RFRA") on the basis that Congress had exceeded its § 5 enforcement powers when enacting that legislation. *Id.* In holding that Congress indeed lacked such power to enact the RFRA, this Court first examined the history of the Fourteenth Amendment and then considered the scope of the Enforcement Clause consistent with the Amendment's past. To elucidate its findings, the Court summarized its own precedent to show why "the reach and scope of RFRA distinguish it from other measures passed under Congress's enforcement power." 117 S. Ct. at 2170.

The Court turned first to *South Carolina v. Katzenbach*. There, "the challenged provisions were confined to those regions of the country where voting discrimination had been most flagrant . . . and affected a discrete class of state laws." 117 S. Ct. at 2170. Describing the outcome in that case, the Court stated that "to ensure that the reach of the [legislation] was limited to those cases in which constitutional violations were most likely (in order to reduce overbreadth)," coverage could be terminated where "the danger of substantial voting discrimination has not materialized during the preceding five years." *Id.* Accordingly, legislation passed under § 5 avoids unconstitutional overbreadth if not extended to instances where constitutional violations have not been shown to exist.

This Court next pointed out that the provisions banning literacy tests in *Katzenbach v. Morgan* and *Oregon v. Mitchell*,

400 U.S. 112 (1970), attacked a particular type of voting qualification with a long history as a "notorious means to deny and abridge voting rights on racial grounds." 117 S. Ct. at 2170 (citation omitted). The Court further noted that in *City of Rome v. United States*, 446 U.S. 156 (1980), the burden of the federal legislation was imposed only on jurisdictions with a history of intentional racial discrimination in voting. 117 S. Ct. at 2170.

Even so, the Federal Circuit declared that it did not read this Court's precedents to require enforcement of federal patent rights against states on a "piecemeal" basis or to allow abrogation only where a state has been shown not to provide due process to patent holders. Pet. App. A at 15a. But this Court's decisions cited in *City of Boerne* clearly hold that legislation enacted under § 5 is properly limited to instances where there are demonstrated, state-sponsored constitutional violations. A contrary finding ignores this Court's ruling in *City of Boerne* that Congress's enforcement powers may only be employed to remedy or prevent unconstitutional conduct and not to make a "substantive change in constitutional protections." 117 S. Ct. at 2170.

Identifying the type of conduct that is the proper focus of Enforcement Clause legislation, of course, is simply another way of identifying when resort to that clause in the first instance is appropriate. Lower courts before and after *City of Boerne* have uniformly required the existence of unconstitutional behavior to justify § 5 legislation. *See, e.g., Wheeling & Lake Erie Railway Co. v. Public Utility Commission of Pennsylvania*, 141 F.3d 88, 93-94 (3d Cir. 1998) (Railroad Revitalization and Regulatory Reform Act of 1976, 49 U.S.C. § 11501, was a valid exercise of § 5 enforcement power because it protected railroads against discriminatory taxes levied by state and local authorities in contravention of the Equal Protection Clause); *Doe v. University of Illinois*, 138 F.3d 653, 660 (7th Cir. 1998) (upholding abrogation accomplished through enactment of Title IX as designed to protect against invidious discrimination in state-run, federally funded

institutions); *Ramirez v. Puerto Rico Fire Service*, 715 F.2d 694 (1st Cir. 1983).[8]

That the Enforcement Clause is properly limited to preventing or remedying unconstitutional state conduct is perhaps best illustrated by *Wilson-Jones v. Caviness*, 99 F.3d 203 (6th Cir. 1996). There, the Sixth Circuit held that the amendment of the Fair Labor Standards Act ("FLSA") to allow states to be sued in federal court for FLSA violations was unconstitutional because no discriminatory practices were being redressed by that legislation. *Id.* at 210. Observing that Congress's power to abrogate sovereign immunity is "no longer unlimited" following *Seminole Tribe* and instead "depends on the *particular purpose* for which Congress attempts to take away the states' immunity," the Sixth Circuit concluded that the extension of the statute to the states could not be accomplished under § 5. *Id.* at 207. It observed "if we were to say that an act is valid if it is rationally related to achieving equal protection of the laws, *then Section 5 becomes a license to Congress to pass any sort of legislation whatsoever.*" *Id.* at 209. The court found that the proper test is whether "there [is] something about the act connecting it to *recognized* Fourteenth Amendment aims." *Id.* FLSA did not past that test.

The Sixth Circuit correctly foresaw that unless unconstitutional conduct such as race or sex discrimination is imminent,[9] "*any* congressional action extending the scope of a law to cover a new class of people [could be justified] — thereby defeating the principle that Congress has limited power." *Wilson-*

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8. *See also Fontenot v. Louisiana Bd. of Elementary and Secondary Education*, 835 F.2d 117 (5th Cir. 1988) (discrimination against the handicapped); *United States v. Uvalde Consol. Independent School Dist.*, 625 F.2d 547 (5th Cir. 1980) (at-large method of electing school board officials unconstitutional because of discriminatory impact on vote).

9. Justice Kennedy, in *City of Boerne*, examined whether such conduct was "likely." 117 S. Ct. 2170.

Jones, 99 F.3d at 207. *Accord*: *Timmer v. Michigan DOC*, 104 F.3d 833 (6th Cir. 1997).

Congress, too, has consistently adhered to the Fourteenth Amendment's original purpose of redressing unconstitutional state conduct when enacting § 5 legislation. *See, e.g.*, the Public Accommodations Provision of the Civil Rights Act, 42 U.S.C. § 2000(a), *et seq.*; the Public Facilities Provision of the Civil Rights Act, 42 U.S.C. § 2000(b), *et seq.*; Public Education Provisions of the Civil Rights Act, 42 U.S.C. § 2000(c), *et seq.*; and the Vocational Rehabilitation Rights Act Amendments of 1986, 42 U.S.C. § 2000(d), *et seq*. Not until the recent amendment of the copyright, patent, and trademark laws to allow suits against the states in federal courts has Congress stepped outside of the Fourteenth Amendment's traditional bounds to enact legislation pursuant to § 5 that has not and cannot be shown to relate to the curing or preventing of unconstitutional state conduct.

According to the Senate Report, Congress believed that the Patent Remedy Act nevertheless "represents a valid extension of Congress' [sic] right to protect rights of [patentees]." J.A. at 20a. Such belief, echoed by the Federal Circuit, was founded upon the premise that patents are a species of property. When enacting the legislation, Congress stated:

> The bill is justified as an acceptable method of enforcing the provisions of the Fourteenth Amendment . . . courts have continually recognized patent rights as property, [and] the Fourteenth Amendment prohibits a state from depriving a person of property without due process of the law.

Id. Even per Congress's own explanation, therefore, merely defining patents as property does not address the other two prongs of the Due Process Clause: the property owner must be "deprived"

of her property and such deprivation must occur "without due process of law."[10]

Despite this recitation of the elements essential to a Due Process analysis, neither Congress (nor the Federal Circuit, for that matter) properly considered all three prongs of the clause when examining the propriety of the Patent Remedy Act. In fact, they never looked past the first prong. The district court concluded that "the ultimate constitutional issue in this case is . . . whether the interests sought to be protected by the Patent Act are 'property' for purposes of the Fourteenth Amendment" without regard for the other two parts of the Clause. Pet. App. B at 78-79a. The Federal Circuit perpetuated this reasoning when affirming the decision to deny Florida Prepaid's motion to dismiss.

According to the lower courts in this case, Congress need only identify a "life, liberty, or property" interest it desires to protect in order for abrogating legislation to be "appropriate" to enforce the Due Process Clause. Under that analysis, Eleventh Amendment immunity will fall no matter what type of "property" or "liberty" interest is identified.[11] Clearly, if the logic underlying

10. In the absence of a legitimate "deprivation" of property, Congress's attempt in the Patent Remedy Act to abrogate state immunity will fail in most cases to remedy or deter a constitutional violation on that separate ground. In *Daniels v. Williams*, 474 U.S. 327, 331 (1986), this Court made clear that property is "deprived" for purposes of the Due Process Clause only where the state acts intentionally. *Id.* at 331 (this limitation on what constitutes a "deprivation" under the Due Process Clause "reflects the traditional and common-sense notion that the Due Process Clause . . . was intended to secure the individual from the arbitrary exercise of the powers of government"). In most instances, alleged patent infringement by a state or state entity will not amount to a "deprivation" for purposes of the Fourteenth Amendment. *See, e.g., Davidson v. Cannon*, 474 U.S. 344, 347-48 (1986) ("lack of due care simply does not approach the sort of abusive government conduct that the Due Process Clause was designed to prevent").

11. Such interests are vast. *See, e.g., Bell v. Burson*, 402 U.S. 535 (1971); *In re Ruffalo*, 390 U.S. 544 (1968); *Alaska Airlines, Inc. v. Long*

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the Patent Remedy Act's enactment is upheld, Congress's incondite construction of the Due Process Clause will allow it to abrogate sovereign immunity for the purpose of remedying or preventing state conduct that may negatively affect any one of these innumerable interests, however slightly.

Because the Patent Remedy Act abrogates the sovereign immunity of all fifty states without *any* regard for whether the states are actually violating the constitution by depriving persons of life, liberty, or property without due process, the Eleventh Amendment has been effectively emasculated. Congress has elevated a federal statutory cause of action to a constitutional violation. This is clearly a substantive change in the construction of constitutional protections available under the Fourteenth Amendment. As a result, the Patent Remedy Act irreconcilably conflicts with the unambiguous prescriptions laid down by this Court in *City of Boerne*.

a. No unconstitutional state conduct can be remedied or prevented where states already afford patentees due process of law.

The Federal Circuit found solace in this Court's teaching that Congress may prohibit state conduct that does not itself violate the Constitution, provided the legislation is aimed at preventing a constitutional violation. Pet. App. A, 14a. The problem with that analysis is that the legislative history of the Patent Remedy Act reveals that Congress had no evidence of state-sponsored,

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Beach, 951 F.2d 977 (9th Cir. 1992) (airline has a "property" interest in the number of flights allocated at an airport). *See, also, Landon v. Plasencia*, 459 U.S. 21 (1982); *De Weese v. Palm Beach*, 812 F.2d 1365 (11th Cir. 1987); *Lansdale v. Tyler Junior College*, 470 F.2d 659 (5th Cir. 1972); *Boyd v. Board of Directors*, 612 F. Supp. 86 (E.D. Ark. 1985) ("rights" of a high school student to participate in sports at school); *McCollester v. Keene*, 586 F. Supp. 1381 (D.N.H. 1984) (juveniles have liberty interests in being free from unreasonable curfews).

unconstitutional conduct toward patent owners when writing the statute. The Federal Circuit admitted as much but pointed to eight instances between 1887 and 1990 where states have been sued for patent infringement as empirical evidence of states' misconduct and as legal justification for the Act. Pet. App. A, 21-22a.

In doing so, the Federal Circuit confused an allegation of ordinary patent infringement with a constitutional violation -- the deprivation of property without due process of law. Rather than looking to whether states have violated the patent code as alleged in the cited lawsuits, the court (and Congress) should have examined whether states had infringed patents or threatened to do so while also not providing patentees with constitutionally adequate due process under law. Their failure to appreciate this distinction and conduct the proper inquiry is fatal to the constitutionality of the Patent Remedy Act.

Examining the existence of alternative remedies in assessing the legitimacy of abrogating legislation was deemed an important factor in *Seminole Tribe*. 517 U.S. at 74. CSB enjoyed, and still enjoys, several options other than suing Florida Prepaid in New Jersey district court for patent infringement, but it has resolved to ignore them altogether. For instance, CSB arguably can pursue an action in federal court for injunctive relief under the authority of *Ex parte Young*, 209 U.S. 123 (1908), *Seminole Tribe* at 71 n.14 and 16. Such relief could ensure Florida's compliance with federal law while preserving CSB's patent property. Florida also provides a process by which CSB may seek to have a claim bill filed in the state legislature to provide money damages. *See* § 11.065, Florida Statutes. In fact, the Federal Circuit expressly conceded that the Florida claims procedure "most likely provides sufficient process to preclude a violation of the Fourteenth Amendment." Pet. App. A at 14a.

Likewise, CSB could elect to file suit against Florida Prepaid in Florida state court, where a takings claim founded upon

allegations of patent infringement has been recognized. *Jacobs Wind Electric Co. v. Florida Department of Transportation*, 626 So. 2d 1333, 1337 (Fla. 1993).[12] Holding that "Congress never intended to preclude these claims from state court review even though they involve a patent," the *Jacobs Wind* court observed:

> This case presents a situation where a party was not just denied a particular remedy but was denied total access to courts to redress its grievances. This cannot be countenanced in light of Article I, Section 21 of the Florida Constitution, which provides that "[t]he courts shall be open to every person for redress of any injury, and justice shall be administered without sale, denial, or delay."

Id. at 1337. On that basis, the Florida Supreme Court held that Florida courts "have jurisdiction over the claims presented here" by a patent owner seeking a remedy for the state of Florida's alleged violation of his patent rights. *Id.*

Although *Jacobs Wind* was premised upon providing a state court forum and remedy to a patent owner because Congress had not expressed its intent to provide a federal forum for patent remedies against a state defendant, the subsequent passage of the Patent Remedy Act does not alter the legal significance and

12. Remedies potentially available in other states include inverse condemnation claims, takings claims under state constitutions, or statutory takings claims. *See, for example, Klopping v. City of Whittier*, 8 Cal. 3d 39, 43 (1972) (allowing inverse condemnation claim via Code of Civ. Proc. § 1250.110); *Debruhl v. State Highway and Pub. Works Comm'n*, 247 N.C. 671, 102 S.E. 2d 229 (1958) (Art. I § 19 of North Carolina's Constitution encompasses a prohibition against the taking of private property without just compensation; sovereign immunity no defense); N.Y. Ct. Cl. Act § 9(2) (McKinney 1989) (New York court of claims authorized "to hear and determine a claim of any person, corporation, or municipality against the state for the appropriation of any real or personal property or any interest therein . . .").

continuing applicability of that holding. If Florida state courts were willing to provide a forum and a remedy in the absence of a federal forum and remedy prior to the Patent Remedy Act's enactment as required by Florida's constitution, that same state process logically remains available now that *Seminole Tribe* and *City of Boerne* foreclose abrogation of Eleventh Amendment immunity in the absence of a due process violation.[13]

Consistent with this Court's precedent, patentees should be required to exhaust the available state remedies before any due process violation can be found. In *Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172, 195 (1985), this Court held that if a state provides adequate procedures for seeking just compensation, a property owner cannot state a claim in federal court under the Fifth Amendment until he has used the procedures and been denied just compensation:

> . . . respondent did not seek compensation through the procedures the State has provided for doing so. The Fifth Amendment does not proscribe the taking of property; it proscribes taking without just compensation. Nor does the Fifth Amendment require that just compensation be paid in advance of, or contemporaneously with, the taking; all that is required is that a "reasonable, certain and adequate provision for obtaining compensation" exist at the time of the taking. If the government has provided an adequate process for obtaining compensation; and if resort to that process 'yield[s] just compensation,' then the property owner 'has no claim against the Government'

13. In fact, should Florida or other states refuse to provide constitutionally-adequate due process to patentees, review by this Court is still available to remedy such failure. *McKesson Corp. v. Div. of Alcoholic Beverages & Tobacco*, 496 U.S. 18, 27 (1990) (state must provide monetary remedy in state court for violation of federal law; Eleventh Amendment is no bar to Supreme Court review of state's refusal to do so).

> for a taking. Thus, we have held that taking claims against the Federal Government are premature until the property owner has availed itself of the process provided by the Tucker Act, 28 U.S.C. 1491. Similarly, if a State provides an adequate procedure for seeking just compensation, the property owner cannot claim a violation of the Just Compensation Clause until it has used the procedure and been denied just compensation.

473 U.S. at 194-195 (citations omitted). Thus, before a federal court may examine whether the process provided by a state is constitutionally sufficient, the state must be given a chance to provide whatever process and remedies are available under its own procedures.[14]

Not only is there no evidence that the relief available from the states will not be constitutionally sound, there is no evidence that states will not apply the patent law precedents of the federal courts when fashioning such relief. *See Speedco, Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988). Similarly, Congress should not be allowed to render state remedies irrelevant by providing a federal remedy and then justify the federal remedy by arguing that state remedies are inadequate compared to Title 35 -- there is no constitutional right to any particular form of relief.[15] *See, e.g.*,

14. CSB responded to this argument below by citing *Monroe v. Pape*, 365 U.S. 167, 183 (1961) for the proposition that patent owners are not obligated to pursue their state law remedies before a federal remedy is invoked. *Monroe* pertains to a claim under 42 U.S.C. § 1983 where the conduct complained of was itself a constitutional violation. Thus, *Monroe* simply means that there is no obligation to exhaust state remedies (and thereby show a due process violation) where the constitutional violation had already occurred. Stated differently, the constitutional claim at issue in *Monroe* was already complete within the meaning of *Williamson*. Since patent infringement is not itself a constitutional violation, *Monroe* is inapposite.

15. Of course, any inability to bring a patent infringement action in state court is the result of a congressional decision to confer exclusive (Cont'd)

Gibbes v. Zimmerman, 290 U.S. 326, 332 (1933); *Petersen v. United States*, 191 F.2d 154, 157 (9th Cir.) (holding that "there is, constitutionally speaking, no basic right to any particular forum or form of remedy"). As held by this Court in *Parratt v. Taylor*, 451 U.S. 527, 543-44 (1981), due process is not violated where a state remedy would redress the property deprivation at issue even though not providing all relief (*e.g.*, punitive damages or a jury trial) possibly available under federal law.[16]

Moreover, it cannot matter that patent owners might prefer to seek the more expansive range of remedies available under Title 35 against states; the controlling inquiry must be limited to whether available state process and remedies satisfy federal constitutional requirements. That the pursuit of claims through available state processes may result in varying levels of process and relief is endemic of any Due Process Clause analysis. Some states may provide greater remedies than others, yet all remedies may be constitutionally adequate. Allowing states to decide for themselves appropriate remedies is, after all, consistent with the underlying principles of federalism.

As clarified in *Zinermon v. Burch*, 494 U.S. 113, 125 (1990), the deprivation of property by state action is not itself unconstitutional; "what is unconstitutional is the deprivation of such an interest *without due process of law*." (emphasis in original). Regardless of when the deprivation occurs, the constitutional

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jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners on that basis, its cause is federal, not state, action. Section 5 of the Fourteenth Amendment does not authorize abrogation of state immunity to remedy injuries caused by federal conduct within Congress's exclusive control.

16. Because Congress's statutory scheme in Title 35 clearly contemplates that a patentee's remedies will be sought after any alleged infringement has begun, *i.e.*, postdeprivation, this is not a situation in which a lack of predeprivation procedures could be deemed to violate the Due Process Clause. *See, e.g., Hudson v. Palmer*, 468 U.S. 517, 533 (1984); *Crozier v. Krupp*, 224 U.S. 290, 306 (1912).

violation "is not complete unless and until the state fails to provide due process." *Id.* at 126 (emphasis added).

Because Congress did not make any inquiry into the availability of due process in state courts when enacting the Patent Remedy Act, and CSB continues to refuse to avail itself of the remedies Florida already provides for the alleged deprivation in its state system, the Patent Remedy Act lacks an essential predicate to the operation of the Enforcement Clause -- a deprivation of property by a state that occurs "without due process of law."

2. *Exposing states to lost profits, treble damages, and attorney's fees in suits brought in federal court is both unduly intrusive and harmful to states.*

Having defined in *City of Boerne* when the Enforcement Clause may be used -- to prevent or redress unconstitutional state conduct -- this Court next turned to how that clause may be employed. When examining this question, the Court announced a balance that must be struck: "there must be congruence between the means used and the ends to be achieved." 117 S. Ct. at 2169. Even assuming *arguendo* that Congress had properly identified unconstitutional state conduct when enacting the Patent Remedy Act thereby satisfying *City of Boerne*'s first requirement, the next step is to ascertain whether the patent legislation at issue passes this balancing test.

In *City of Boerne*, this Court evaluated whether a proper balance had been struck between the end to be achieved and the means employed by comparing the RFRA at issue to the Voting Rights Act. Finding no balance present, the Court stated:

> RFRA cannot be considered remedial, preventative legislation, if those terms are to have any meaning. RFRA is so out of proportion to a supposed remedial or preventative object that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior . . . Preventative measures prohibiting certain types of laws may be appropriate where there is reason to believe that many of the laws affected by the congressional enactment have a significant likelihood of being unconstitutional.

117 S. Ct. at 2170.

Just as the RFRA was not "so confined," *id.*, neither is the Patent Remedy Act. Under the patent laws, patentable subject matter is broadly construed to include "anything under the sun that is made by man." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). The Act's proscription against state patent infringements, therefore, allows intrusion into the actions of every state official and conceivably touches all forms of state activities. Indeed, whenever states procure technology employed by their police for protecting states' citizenry, or their agencies use office supplies, they may unknowingly infringe a patent.[17] The Patent Remedy Act may be invoked to attack state conduct in federal court whenever a patent owner feels, correctly or incorrectly, that his patent rights have been impinged. Thus, as with the RFRA, the Patent Remedy Act's invasive "reach and scope" also serve to "distinguish it from other measures passed under Congress's enforcement power." 117 S. Ct. at 2170.

Central to the Federal Circuit's approval of the Patent Remedy Act was its belief that considerable harm would result to patentees and the patent system if there was no right to sue states in federal court under Title 35, because patents on inventions used primarily by states would be rendered "almost worthless." Pet. App. A at 23a. Even ignoring that it is harm arising from an unconstitutional denial of due process rather than the alleged harm caused by state patent infringement that is the relevant harm to be weighed, the

17. There is an unlimited range of state conduct, from ordinary ministerial acts to the providing of core governmental services like education, that may expose a state to claims of direct, induced, or contributory patent infringement.

Federal Circuit wrongly concluded that the harm to states flowing from the abrogation of their Eleventh Amendment immunity is "modest" or "slight." *Id.* But if the envisioned harm resulting from the possibility of tortious state conduct is automatically weightier than the harm to states in having to defend themselves from patent infringement claims in federal court, the Eleventh Amendment will always lose.

Ironically, the Federal Circuit's rationale for approving the allegedly "modest" means used by Congress to prevent state patent infringement conflicts with its own analysis of the alleged harm being remedied by the Act. In order to magnify that harm, the court asserted that patented inventions embraced by states are those likely to be usable only by states. Pet. App. 23a. Then, to justify exposing states to the same remedies as private parties, the Federal Circuit relied on exactly the opposite view:

> Conduct that could constitute patent infringement is part of the states' commercial activity, not its central political governance role. Thus, the Patent Remedy Act will rarely constrict or restrain a state in the performance of its core governmental functions.

Pet. App. A, 24a.[18] The Federal Circuit cannot be allowed to have it both ways. If patented inventions are likely to be used only by

18. Because CSB did not contest that Florida Prepaid was entitled to Eleventh Amendment immunity, and because the district court had already found that Florida Prepaid was performing a core governmental function, Pet. App. B 57a, the Federal Circuit had no basis for suggesting that Florida Prepaid's activities in providing for college education funding was commercial activity rather than a "critical state interest." Pet. App. A, 24a. Indeed, the Third Circuit had already affirmed that very finding by the district court so the Federal Circuit's contrary suggestion was barred as a matter of issue preclusion. *See* 131 F.3d at 364. In any event, causing states to be haled into federal court to defend patent infringement actions will have a serious and direct effect on core governmental functions beyond just the financial impact.

states, those same inventions will surely relate to some aspect of the states' core governmental functions. Moreover, because the scope of the Federal Circuit's abrogation holding is not limited by the type of invention covered by the patent being asserted against the state, the states are exposed to federal patent suits regardless of whether the patent at issue relates to a state's police activities, legislative functions, or the like.

Without the Patent Remedy Act, patentees who believe they have suffered state-sponsored patent infringement retain their property, and will remain able to sell or license the patented invention to others, and "recoup the expenses involved with the discovery of important inventions" for their efforts. J.A. 20a. Patentees may attempt to enjoin future state conduct that diminishes their interests, and, at least in Florida, may sue to recover damages under state law. Under the Patent Remedy Act, on the other hand, states are forced to suffer the "indignity" of suit by private parties in a federal court in far-away jurisdictions and are exposed to treble damages and attorney's fees in the process. *See Puerto Rico*, 506 U.S. at 146 (Eleventh Amendment designed to prevent the indignity of subjecting a state to the coercive process of judicial tribunals at the instance of private parties); *Hess v. Port Authority Trans-Hudson Corp.*, 513 U.S. 30, 115 S. Ct. 394, 403 (1994) (twin reasons for passage of Eleventh Amendment include to protect the public fisc and to accord states respect as members of a federation).

The conclusion that these damage claims under Title 35, if successful, will have a significant impact on state treasuries was affirmed by Congress's express observation that such claims will be a meaningful deterrent to patent infringement and, as such, a sound goal of the Act. *See* J.A. 23a. This Court also recognized this fact in *City of Boerne* when it concluded that "the substantial costs RFRA exacts, both in practical terms of imposing a heavy litigation burden on the states and in terms of curtailing their traditional general regulatory power, far exceed any pattern or

practice of unconstitutional conduct." 117 S. Ct. at 2171. The same is true here. The Patent Remedy Act imposes a heavy litigation burden on states without a scintilla of evidence of unconstitutional conduct being practiced -- or contemplated -- by Florida or any other state toward patent owners. The desire to deter state conduct with threats of increased damage awards is simply not a legitimate predicate for Enforcement Clause legislation. *See* Vázquez, 106 Yale L.J. at 1730 (compensatory or deterrence interests are insufficient to overcome the dictates of the Eleventh Amendment, *citing*, *Mansour*, 474 U.S. at 68).[19]

A chilling effect on state activities will inevitably result should this Court uphold the Patent Remedy Act because states will reasonably be hesitant to engage in conduct for the benefit of the public that may directly or tangentially impact patent rights and embroil the state in litigation. Armed with expansive § 5 power as construed in this case, Congress can force states to defend demands for significant money damages in federal court each time Congress senses the slightest effect upon any liberty or property interest and does not like the remedies already provided by the states. Because the Patent Remedy Act does not strike a balance between the means and the end to be achieved, Congress's attempt to invoke § 5 as a source of abrogation power cannot be upheld.

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19. This Court should reject the Federal Circuit's assertion that the absence of a right to sue a state in federal court under Title 35 causes patents to "decline drastically in value, because there is no access to the remedies of attorney fees and treble damages." Pet. App. A at 23a (citing 35 U.S.C. §§ 284, 285). Such provisions are meant to deter improper conduct by an accused infringer, not reward the patent owner, and cannot properly be deemed part of the value of a patent. *See Lessona Corp. v. United States*, 599 F.2d 958, 969 (Ct. Cl. 1979).

3. *That the Patent Remedy Act is incongruent to the ends to be achieved is clear when compared with 35 U.S.C. § 1498.*

The Federal Circuit's final conclusion, that there is "no sound reason" to treat states differently from private citizens, simply cannot stand given the express purpose of the Eleventh Amendment. It is, of course, precisely because of the Eleventh Amendment that states are not treated like private parties. *See Welch v. Texas Dep't of Highways and Pub. Transp.*, 483, 477 (1987) ("the constitutional role of the States sets them apart from other . . . defendants"). Congress appears to have been so overwhelmed by its desire to afford the broadest relief possible to patentees against the states, and to treat states on par with private citizens, that it forgot this important constitutional limitation.

In practical effect, Congress has already demonstrated that a more proportionate remedy for the harm allegedly caused by infringement by state sovereigns can be designed. In enacting what is now 28 U.S.C. § 1498, Congress allowed a patent owner to recover "his reasonable and entire compensation" for any use and manufacture of a patented invention by the federal government. In contrast to the remedies in Title 35 available against private parties, those available against the United States do not include injunctive relief against future infringement. *See Crozier*, 224 U.S. at 308. The remedies also do not include punitive measures such as treble damages, *Lessona*, 599 F.2d at 969, or awards of attorney's fees. *Id.* at 970 (*citing Calhoun v. United States*, 453 F.2d 1385, 172 U.S.P.Q. 438, 446 (Ct. Cl. 1972)). Moreover, damages against the United States are limited to a reasonable royalty rather than a patent owner's lost profits. *See Tektronix v. United States*, 552 F.2d 343, 351 (Ct. Cl. 1977).

When Congress rejected the Title 35 remedies for use against the United States, it did so because they were deemed "excessive" or "unreasonable" as a means to satisfy the Constitution. *See*

Lessona, 599 F.2d at 966-71 (and cases cited). However, because of Congress's intent to treat the states like private parties, remedies *not* available against the United States have now been imposed against all of the states under the Patent Remedy Act. For good measure, each state is also subject to being sued in every other state in the country, as illustrated here where a Florida state agency has been forced to defend itself in New Jersey. The punitive nature of the Patent Remedy Act in contrast to § 1498 exemplifies how excessive and disproportionate the Act is to the targeted wrong.

As is seen from the foregoing, and as held by this Court in *City of Boerne*, § 5 legislation becomes substantive and, therefore, unconstitutional, where there is a lack of congruity between the constitutional injury to be prevented and the means adopted to that end. When that occurs, Congress oversteps its bounds and crosses into the exclusive realm of the judiciary. 117 S. Ct. at 2164. Targeting state conduct amounting to nothing other than a tort contravenes *City of Boerne*'s requirement that Congres be acting to redress or prevent constitutional wrongs. Not only has no such wrong been identified or established, but allowing the full range of Title 35 relief to be recovered against a state in federal court to remedy or deter states' tortious conduct is woefully incongruent to the identified harm. As a result, the Patent Remedy Act violates *City of Boerne*'s unambiguous imperatives and is thus an unconstitutional attempt by Congress to abrogate states' Eleventh Amendment immunity from patent suits in federal court.

CONCLUSION

The decision of the Federal Circuit should be reversed and remanded with instructions that CSB's patent infringement claim be dismissed.

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